



**Kenzo
Tsujimoto**
Chairman and
Chief Executive Officer
(CEO)

**CEO
COMMITMENT**

We aim to deliver joy and entertainment worldwide through the medium of video games.

Building a richer world by delivering the best content, "from Osaka, to the world"

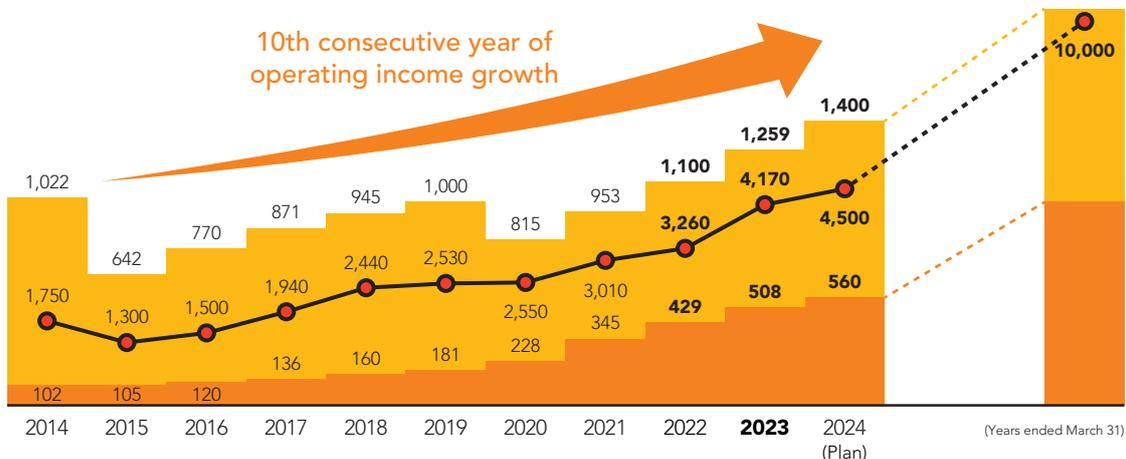
Capcom celebrated its 40th anniversary in June 2023. I would like to take this opportunity to express my deepest gratitude for the many years of support and understanding from our stakeholders, including our customers, shareholders, business partners and employees. We have continued to increase corporate value, setting forth the mid-term management goal of 10% operating profit growth annually beginning in the fiscal year ended March 2020, and most recently achieving 10 consecutive years of increased sales volume and operating profit. [➔For details, please refer to p.2](#)

Even though games are luxuries that are not essential to daily life, our increasing value is evidenced by the growing number of people around the world whose lives are enriched and made more vivid by games. Since our founding, we at Capcom have invariably continued to create content with the intent of making the world even just a little bit better through games. We aim to bring joy to as many people as possible with this form of entertainment—and we are prepared to take on the myriad challenges of the future to realize sustainable growth, united under our motto of "from Osaka, to the world."

Capcom performance trend

■ Consolidated net sales (Hundred million yen)
 ■ Operating income (Hundred million yen)
 ● Total sales units (ten thousands)

Aiming for 100 million units in sales volume



1 Management Policy

Growing our customer base by expanding the market

We made a shift in policy to focus on digital sales around 2017. Now, we have expanded our global sales footprint to include more than 230 countries and regions, thanks in particular to bolstering our support for the PC platform. In doing this, we were able to get a visceral sense that people around the world enjoyed Capcom’s games. As we move forward, it is important that we create opportunities for people in these newly tapped countries and regions to enjoy our game content and expand the number of our users in these areas more than ever before with the aim of realizing sustainable growth.

Unit sales for our games in the fiscal year ended March 2023 were 41.7 million units; if we assume a single customer purchased multiple games, we can estimate that our user base is approximately 20-25 million people. On the other hand, the world population is said to have surpassed 8 billion people, and of that the total population of game players, including those who play on mobile devices, is approximately 3 billion. While our recent annual sales volume is 41.7 million units, and we have the future goal of bringing that number up to 100 million units annually, a vast market beyond that yet remains waiting for us.

2 Mid- to Long-term Challenges

Approaching opportunities for further growth

I believe Capcom’s strengths are found in the following three points: (1) ownership of numerous, popular IPs with global brand recognition; (2) the globalization of our markets due to enhanced digital sales; (3) the development prowess and marketing strategies to continuously bring forth world-class quality games. Also, as I touched upon above, we are achieving sustainable growth thanks to our shift to digital sales. However, if we are to continue steadily growing, it is a fact that there are a number of challenges we must face in the coming 10 years as we move toward our 50th anniversary. I believe we have come to a place where we will now transition to a new stage in sustainable growth. The following is an explanation of our approach to future opportunities for this.

Addressing advances in technology

The highest standards of technology are essential to create the world’s most entertaining games. I have been constantly aware of this fact over the course of my 50 years working in the industry, which itself is ceaselessly evolving. Looking at the situation of these past few years, I feel that the PC—which in a single machine provides games, movies, and music—has grown in importance as a gaming device. Of course, we will likely also see new, high-functionality, dedicated game consoles come to the market as well. As far as Capcom is concerned, we take pride in the technological capabilities that allow us to adapt to

whichever device the end user prefers, as we have demonstrated over the past 40 years.

Video games themselves are the ultimate simulation, making possible that which in real life cannot be achieved. Especially given that virtual worlds have become more common in recent years, the potential represented by games has increased all the more. Within game development, acquiring technologies peripheral to game creation has increased in importance, including network and AI technologies, while in esports it has become possible for game players with disabilities to enjoy the same games as able-bodied game players. It is vital that we work to acquire and train talent with specialized knowledge of technology in order for Capcom to provide new creations and global-reaching services; at the same time, we must further hone the knowhow and insights we have cultivated at our company thus far, continuing to strengthen our efforts in order to reach new customers for both our new title releases and existing back catalog of titles as well.

Further expanding catalog title sales with stronger branding

Extending the sales life of the content we create by digitizing game sales leads to the creation of continuous profit. Following the release of a game, we designate titles from the previous fiscal year or earlier as catalog titles. The cost burden of these titles is fundamentally small, and I feel confident that expanding sales of these catalog titles will be one driver of our growth when we consider the

latent worldwide game player population as well as the facts that these titles (1) contribute to improved profitability and (2) we are able to freely carry out limited-time discounts as part of our pricing strategy.

However, I believe that it will be necessary to strengthen and achieve greater penetration of both our content brands and corporate brand to further expand sales of our catalog titles. While we sell our games in over 230 countries and regions globally, we cannot say that our brands have been completely established.

In the fiscal year ended March 2022, we opened Capcom Pictures, a movie production subsidiary, with the aim of actively promoting our IP by adapting our games into movies and other visual media.

Understanding customer behavior and needs

The question of whether we will be able to maintain growth going forward hinges on our ability to accurately grasp the needs of our users and the market, and whether we can create content that goes beyond expectations. It will be more important than ever for us to do a base analysis of play data and make a response regarding what users demand of us, their satisfaction levels and needs, as well as their expectations. To acquire customers, it is now more essential than ever to bridge our understanding of customer opinions and needs with the production of highly satisfying content.

From the sales data and play data that we have accumulated thus far, we have seen that the reception of our content and services is different depending on the country or region. It is thus necessary for us to understand the characteristics of the end user in these different countries and regions in order to create content that can be enjoyed throughout the

world. Given that there will be both commonalities as well as major differences in tastes in different countries and regions, we now find ourselves in an age where we must leverage the insights gleaned from data analysis of user needs and market demand when creating new content.

However, around the world there have been advances in updating legal systems to address the major issue of protecting personal information. We take the utmost care in handling the personal information entrusted to us by our customers, making sure to clearly indicate the purpose of its use as dictated by our privacy policy, and limiting ourselves to only that personal information that is absolutely necessary.

Investing in people

Details will be explained in the CFO's section, but we have built a solid financial foundation via our earnings growth over the past 10 years. We will leverage this and continue to make investments with an eye toward further growth, however, hiring is an area that requires particular focus. In addition to continuing to hire approximately 150 new graduates annually, we are moving forward with beneficial investments, including the option of M&A, in order to actively address the need for specialized knowledge or skills we currently lack. We are also investing in expanding our development workspace in order to provide our creators with a comfortable working environment. Further, there may be a need to introduce a 24-hour work system at some point, in order to better communicate with our customers globally while also more closely aligning communications with our overseas subsidiaries. These sorts of challenges have driven us to carry out our own unique workplace reforms.

3

Capcom's Sustainability Initiatives

1. Sustainable environmental measures

In June 2022, we introduced CO₂-free electricity generated by renewable energy sources in the buildings that we own in the Kansai region. Additionally, we are striving to further reduce our environmental impacts, which includes introducing green electricity at our Tokyo Branch in April 2023.

Capcom's efforts to digitalize game sales not only improve profitability, but also reduce our environmental footprint by removing package manufacturing from the equation.

Our work in selling digital content itself has a

relatively low environmental impact compared to other businesses, but we should do whatever we can to reduce our environmental footprint as much as possible. Mitigating climate change is an issue that requires the cooperation of everyone who inhabits the planet, and we will continue to promote environmental preservation initiatives.

2. Building a healthy relationship between games and society

Although there is a need for games in society, there are also some challenges, such as expensive in-game

purchases made by minors and game addiction. Our purpose is to make people happy through games. Causing misfortune with our games is never our intention. We are aware that these are major issues for our industry as a whole, and each company is cooperating as part of an industry organization to address them.

In addition, since 2004, we have independently continued to be involved in game-related educational support activities as an initiative to alleviate social concerns surrounding games.

Further, commissioned by industry groups, the Gaming Disorder Research Study Group announced the results of its investigation following the World Health Organization (WHO) defining "gaming disorder" as a new disease. Going forward, we will cooperate with industry groups to continue discussions in conjunction with further analysis and reports, raise awareness of the problem, and take appropriate measures in a timely manner.

3. Promoting Diversity

I recognize the importance of diversity for creating content that will resonate globally, thus Capcom promotes the retention and training of talented human resources without regard for gender or national origin. We continue to make efforts to improve the workplace environment and have carried out various reforms in areas such as compensation and benefits. Additionally, as a result of increasing

opportunities for direct communication between employees and management, such as with company-wide explanatory meetings, we dramatically increased employee engagement in fiscal 2022. We will continue to promote improvements in an effort to increase motivation.

4. Promotion and Support for Regional Communities

We utilize popular Capcom IP in local revitalization activities to support (1) economic development, (2) cultural development, (3) awareness for crime prevention and (4) awareness of elections. By contributing to these communities and fulfilling the needs of society we make sustainable corporate operations possible.

5. Anti-fraud Measures

As a company that handles data, it is important that we protect its value and associated rights. As part of our branding efforts globally, we continue to constantly detect and delete pirated versions of games and illegal video content from the internet. In recent years, the risk of cyber-attacks is also growing as digital network technology becomes more widespread. In light of the unauthorized access to our network in 2020, we have established the Information Technology Security Oversight Committee, and continue to promote ever-stronger countermeasures.

4 Governance — Strengthening an Ongoing System

Building a system to avoid management decision making risks

Sound governance is essential for achieving the sustainability I discussed in the previous section. Specifically, with myself (Capcom’s founder) as CEO and my oldest son as COO, we can avoid management decision risks by sufficiently leveraging the supervisory function of the external directors, and with unique mechanisms for highly transparent and rational decision making built by the Board of Directors.

Mechanism 1

Management visualization by quantifying reports

I require that materials (documents) used for decision-making are, in principle, quantitatively focused; in other words, we are employing management

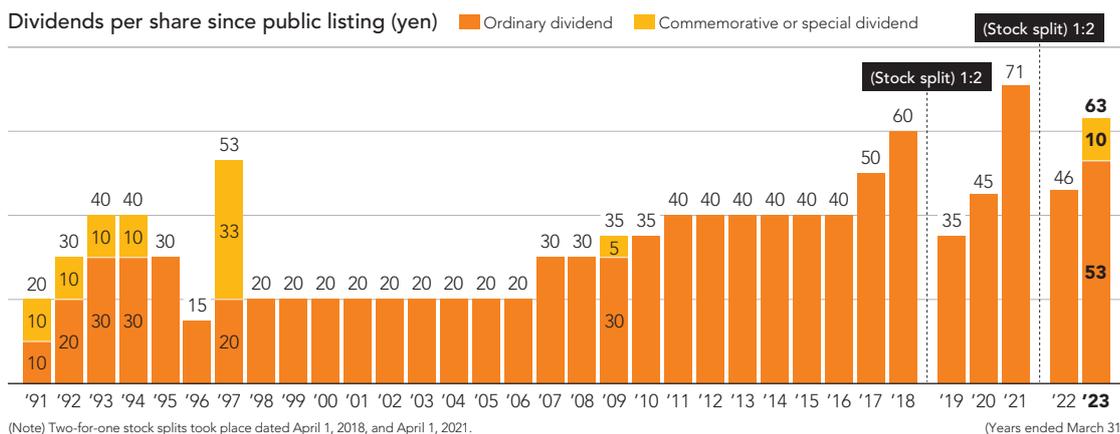
visualization to conduct integrated management. By using numbers instead of words, we eliminate arbitrariness and bias, making it easier to identify problems.

Mechanism 2

Increasing the ratio of external directors

Since introducing the external director system in the fiscal year ended March 31, 2002, we have increased the ratio of external directors to 46.7%. External director appointment criteria have not changed since the system was introduced; in short: we appoint directors with insight who are highly proficient specialists in their respective areas outside the gaming industry, capable of making decisions regarding Capcom’s management and business activities. With the avoidance of business investment risk as a priority issue, Capcom appoints individuals who are able to

Rewarding long-term shareholders with 33 consecutive years of returns since Capcom’s listing and record-high dividends



determine validity from the general public’s point of view and clearly voice their opinions to the company founder.

In June 2022, we increased the number of external directors by two, including one female director, in order to further enhance the human resource capabilities of management and the supervisory function of the Board of Directors.

Mechanism 3 Creating a system to realize sustainable growth and grooming successors

For the last 40 years, I have built the Capcom framework, and it is my responsibility as the founding executive to ensure my successors properly understand and are able to execute its mechanisms. Plans for my successor are being made through discussions with the Nomination and Remuneration Committee; by preparing my successor and enmeshing our corporate philosophy with well-structured governance, we will achieve sustainable growth.

In closing I would like to share my ideas regarding our capital policy, which is an important element of the relationship I have with our shareholders.

1. Basic policy regarding dividends

I have already mentioned the factors critical for sustainably enhancing corporate value; as shareholder returns are also an important management issue, dividends are determined with consideration for future business development and changes in the

management environment. However, as the business environment is undergoing significant changes, it is also necessary to consider investment geared toward sustainable growth.

In consideration of these factors, Capcom’s basic shareholder return policy aims to (1) enhance corporate value (market capitalization) through investment in growth, (2) continue paying dividends (30% payout ratio) while striving for stable dividends and (3) flexibly acquire treasury stock to increase the value of earnings per share.

2. Dividends for this fiscal year and the next

For the next fiscal year (ending March 2024), we plan to pay an annual dividend of 54 yen per share, which represents a payout ratio of 28.2%. As the payout ratio is less than 30%, we will review the dividend amount when the consolidated earnings forecast for the next fiscal year becomes clearer.

As a senior executive with many long years of experience in the game industry, my goal is to increase market capitalization and achieve corporate growth exceeding that of the past 40 years in order to continue meeting the expectations of Capcom shareholders, investors, and all other stakeholders.

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